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STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

SN 2006(5)

SPECIAL NOTICE

2006 Legislation and Other Developments Affecting the Connecticut Estate and Gift Taxes

Purpose: This Special Notice describes 2006 legislation and other developments affecting the Connecticut estate and gift taxes. It also describes the impact of the recently issued Attorney General Opinion No. 2006-018.

- The due date for payment of the gift tax is the date nine months after the donor's death.

Connecticut no longer follows the federal gift tax return filing deadlines with respect to such donors.

Effective Date: June 9, 2006, except as otherwise noted.

Statutory Authority: Conn. Gen. Stat. §§12-392; 12-395; 12-644; 12-645; 12-647, as amended by 2006 Conn. Pub. Acts 194, §17 to 21, inclusive; and Conn. Gen. Stat. §46b-38pp.

Interest Payable on Gift Tax Overpayment:

Interest at the rate of two-thirds of one per cent per month or fraction of a month, is payable by DRS on any gift tax overpayment. Interest accrues from the due date of the return or the date of payment, whichever is later.

Late Payment Penalty for Estate Tax Changed:

The penalty for late payment of the estate tax is 10% of the amount reported but not timely paid, or \$50, whichever is greater.

Gift Tax Assessment At Any Time If Gift Not Reported or Not Adequately Disclosed: If any gift which is required to be reported on the Connecticut gift tax return is not reported on the return or, if reported, is not adequately disclosed on the return, the Department of Revenue Services (DRS) may make a gift tax assessment with respect to that gift at any time.

Under prior law, DRS was required to make a gift tax assessment no later than three years from the date of filing of the gift tax return, or the original due date of the gift tax return, whichever was later, except in the case of a willfully false or fraudulent return with intent to evade the gift tax.

Gift Tax Return for Calendar Year in Which the Donor Dies: When a gift is made during the calendar year in which the donor dies:

- The Connecticut gift tax return is required to be filed on or before the last date, including extensions, for filing a Connecticut estate tax return with respect to the donor; **and**

Appeals of Final Estate Tax Determinations or Disallowances to be Taken to Superior Court Rather Than to a Probate Court:

Except as otherwise noted below, any appeal of a final determination or final disallowance by DRS involving the Connecticut estate tax is to be taken to the Superior Court for the Judicial District of New Britain, rather than to a Connecticut probate court. However, any appeal of a determination of domicile by DRS for Connecticut estate tax purposes will still be taken to the probate court for the district within which the decedent resided at the date of his or her death (or within which DRS contends that the decedent resided at the date of his or her death), or, if the decedent died a nonresident of this state, in the probate court for the district within which real estate or tangible personal property of the decedent is situated.

Civil Unions Recognized Under Connecticut

Law: While 2005 Conn. Pub. Acts 10, An Act Concerning Civil Unions, was effective October 1, 2005, the provisions conferring the same Connecticut estate and gift tax treatment on parties to a civil union recognized under Connecticut law that are conferred on married persons under the Connecticut estate and gift tax law are effective **only**, in the case of gifts, for gifts made during calendar years beginning on or after January 1, 2006, and, in the case of estates, for estates of decedents dying on or after January 1, 2006. See 2005 Conn. Pub. Acts 3, §58 (June Spec. Sess.), codified as Conn. Gen. Stat. §46b-38pp. The 2006 **Form CT-706/709**, *Connecticut Estate and Gift Tax Return*, and the 2006 **Form CT-706 NT**, *Connecticut Estate Tax Return (for Nontaxable Estates)*, will have specific instructions for parties to a civil union recognized under Connecticut law.

For more information on civil unions recognized under Connecticut law, visit the Attorney General's Web site at www.ct.gov/ag and see **Attorney General Opinion No. 2005-024**.

Attorney General Opinion Concerning Resident Estates with Real or Tangible Personal Property in Other States to Which No Death Taxes Were Paid:

The Attorney General, in **Attorney General Opinion No. 2006-018**, has concluded that DRS's proposed methodology for taxing a resident estate with real or tangible personal property situated in other states to which no death taxes were paid by the estate, "assures that the tax will not be imposed on real or tangible personal property outside of Connecticut. It is the only reasonable construction of Conn. Gen. Stat. §12-391(d)(3), and ensures the constitutionality of the Connecticut estate tax." The 2006 Form CT-706/709, *Schedule D*, Part 2, *Credit for Real or Tangible Personal Property Located in Another State and Not Subject to Death Tax of That State*, reflects this methodology.

DRS will also apply this methodology to estates of decedents dying during calendar year 2005, upon the filing of an amended 2005 Form CT-706/709 for those estates. The person who filed the 2005 Form CT-706/709 for a resident estate with real or tangible personal property situated in other states to which no death taxes were paid may file an amended 2005 Form CT-706/709 for the estate. (An amended return seeking a refund of an estate tax overpayment must be filed within three years from the due date for which the overpayment was made.) The amended return box should be checked on the 2005 Form CT-706/709, but, in lieu of completing the *Schedule D* for the 2005 Form CT-706/709, the *Schedule D* for the 2006 Form CT-706/709 should be completed, and the amount from the 2006 Form CT-706/709, *Schedule D*, Line 16 should be entered on the 2005 Form CT-706/709, Section 3, Line 15.

For more information visit the Attorney General's Web site at www.ct.gov/ag and see **Attorney General Opinion No. 2006-018**.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at **www.ct.gov/DRS** to download and print Connecticut tax forms; **or**
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at **www.ct.gov/DRS** and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.

- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on *File/Register OnLine*.
- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS Web site at **www.ct.gov/DRS** and click on *File/Register OnLine*.

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by e-mail of changes to legislation, policies, and procedures. **DRS E-News** is easy to sign up for – visit **www.ct.gov/DRS** and follow the directions. Subscription services are available for employer's withholding tax, *Fast-File* information, Alerts, News – Press Releases, and Top 100 Delinquency List.